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ASEAN MARKETING JOURNAL

e-ISSN 2356-2242

print ISSN 2085-5044

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ASEAN MARKETING JOURNAL

e-ISSN 2356-2242

print ISSN 2085-5044

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AMJ	Vol. IX	Issue 1	Pages 1 -67	Depok June 2017	ISSN 2085-5044
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Accredited by the Indonesian Directorate of Higher Education (DIKTI), SK. No 040/P/2014

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Customers' Response to Service Failure: An Empirical Study on Indonesian Customers

*Jeanne Ellyawati**

The purpose of this study is to identify customers' response to service failure. It is about why some customers are likely to complain and others are not. This study adopts the concept of customer complaint behavior (CCB) with three-dimensional model: private response, voice response, and third party response. It also identifies the relationships between CCB and customers' demographic backgrounds such as age, gender, and education backgrounds; and their complaining behaviors. Data were collected from 200 customers who have experienced service failure (response rate 86.5%). Using chi square method, it identifies the type of complaint which is often performed in service encounter. The research findings suggest that due to service failure, most customers are likely to engage in private and voice response. Further findings suggest that most complainers who experienced service failure are likely to express a set of multiple responses.

Keywords: service failure, customer complaint behavior, private response, voice response, third party response

Introduction

To win the market competition, a company must have a competitive advantage. A good post purchase management such as complaint handling can be one. Complaint handling has become very important for business organizations since in every company activity, whether intentionally or not, service failure sometimes occurs. Most of the customers who experienced service failure will make complaints either to the company, friends, or other third party.

Meanwhile, in today's marketplace, customers have become far more demanding (Tronvoll, 2007). This phenomenon could be seen from the amount of complaints in different types of printed media, audio, and audiovisual, offline as well as online media. In the internet era, as now, consumers can easily post their complaints through social media and electronic word of mouth can directly spread the news around the world (Windi & Ellyawati, 2015). It, in turn, will endanger the sustainability of the business organization.

Based on a previous study, CCB construct is useful in understanding the extent of marketplace dissatisfaction and in devising programs to alleviate customer complaints (Singh, 1988). By reducing the level of customer complaint, it is expected that the company could maintain,

even expand its marketing network, and alleviate the service encounter, therefore creating long term relationship, which helps the company to obtain customer loyalty. Companies do not need to worry so much about customer complaints because they provide free information or feedbacks (Ellyawati, 2013). Companies can learn about what the customers complained of and their demands. These can be used as a base to develop service recovery strategy. Besides that, customer complaints are valuable feedbacks for the company as a control over the activities carried out and an evaluation to improve company performance (Kotler & Keller, 2012). Therefore, the study of customer complaint behavior (CCB) is very important to be conducted.

In Indonesia, the study of customer complaint behavior is still limited. Likewise, not many business organizations implement a complaint management. Currently a company may not consider that consumer complaint an important thing to manage and therefore it is likely to object including additional funds for customer complaint management. It is necessary to realize that actually customer complaint is not a bad issue for the company to address.

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It can be a valuable input for the business organization. As far as the complaints are addressed directly to the company, it will be beneficial (Ellyawati, 2013). However, many people are resistant to customer complaint even when they realize that the complaints actually let the company know what their customers want thus the company can offer customers better service. By adopting CCB model from Singh (1988) and Crie (2003), this study attempts to understand the CCB and its relationship with demographic variables and customer motivation to complain.

More specifically, the purpose of this study is to identify customers' response to service failure. The response is related to why some customers are likely to complain. Which of the CCB dimensions the customer most likely use to respond? This research investigates the differences among CCB dimensions based on demographics characteristics. By segmenting customers into three variables (gender, age, and education) related to service failure, this research tries to provide more specific information about customer profiles to overcome service failure and customer dissatisfaction.

Literature Review

Satisfaction vs. Dissatisfaction

In a tight competition like today, customer satisfaction is very valuable because it is the key to corporate success. Customer satisfaction predicts and drives customer key behaviors, such as repeat purchases and word-of-mouth communication (Ellyawati et al., 2013; Nadeem, 2007). Satisfaction is also an antecedent of customer loyalty and trust (De Matos et al., 2007; Kau & Loh, 2006).

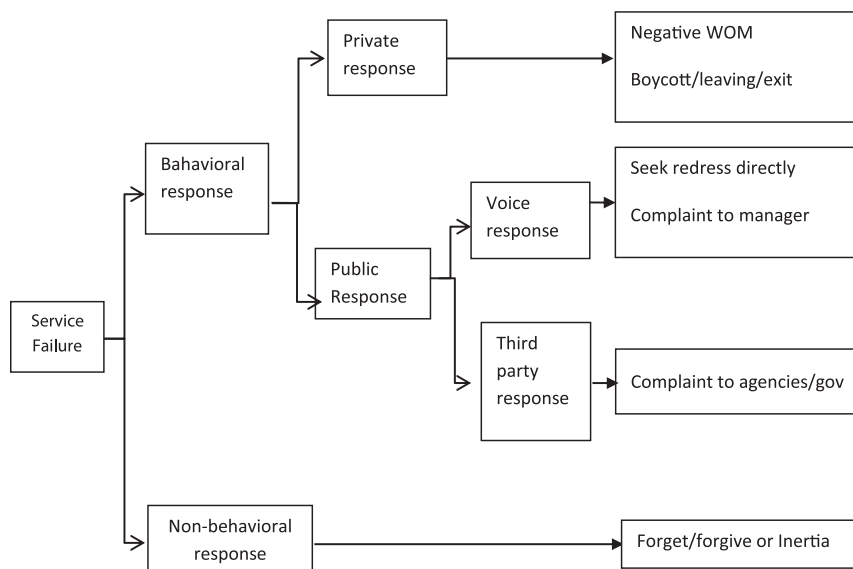
Dissatisfaction is generally triggered by discrepancy between expectation and performance (Singh & Pandya, 1991). When the expectations of service are not met, the resulting gap leads to dissatisfaction but when the expectations are surpassed, the result is satisfaction (Holloway & Beatty, 2003). Service failure can occur anytime during the customer relationship with the service organization from the first encounter to the most recent one (Kelley & Davis, 1994). The differences in degree of dissatisfaction sometimes occur to customers for many

reasons: e.g. the most important problems are associated with different customer service center approaches, general terms and conditions, delivery issues, security and privacy issues, and failure of information quality (Cho et al., 2002). Dissatisfaction can be a disaster but when the service provider can manage it well, it can turn to benefit the company.

Customer Complaint Behavior (CCB)

CCB is conceptualized as a set of multiple (behavioral and non-behavioral) responses, some or all of which are triggered by perceived dissatisfaction with a purchase episode (Crie 2003; Panda, 2014). Why do customers complain? Customer complaint is an antecedent of consumer dissatisfaction, it is a relationship between dissatisfied consumer and complaint behavior (Fernandes & Santos, 2007; Singh & Pandya, 1991). Complaint behavior is one of the responses to perceived dissatisfaction in the post purchase phase. When customers experience dissatisfaction with the service provider, much effort is directed to the company such as complaining to the company, spreading negative word of mouth communication, and switching behavior (Cho et al., 2012; Ellyawati et al., 2013). Hirschman argued that customer complaining behavior is triggered by some factors, such as (a) the value of voicing the complaint, (b) the probability that the complaint will be successful, and (c) the individual's ability and willingness to take up the voice (Cho et al., 2002).

The classification of CCB can be based on the problem identification towards which the responses are directed (Singh, 1988). There are three types of CCB responses, i.e. private response, voice/verbal response, and third party response. Private response is more on a personal compensation by revealing his/her dissatisfaction to family or friends who are not directly involved with the bad experience and/or buying or using the product. Voice response is directed to any institution involved in the exchange process with certain purposes. Third party response is directed to any institution which is not directly involved in the exchange process with the purpose to seek for justice/advocacy, for example: newspaper, legal agencies (in Indo-



Source: adapted from Singh (1988); Crie (2003)

Figure 1. The Proposed Model

nesia known as Yayasan Lembaga Konsumen Indonesia), Non-Governmental Organization (NGO), etc.

CCB can also be classified based on customer behavior. When customers experienced dissatisfaction, they may adopt behavioral (take action) or non-behavioral (take no action) response (Crie, 2003; Panda, 2014). The behavioral response can be classified into public and private action. Public response is a complaint directed to seller, manufacturer, official organizations, associations, or legal institutions. Non-behavioral response means the customers forget/forgive the bad experience and still buy the products or exit without complaint.

Dissatisfaction and Customer Complaint Behavior Relationship

Customers express their dissatisfaction during their purchase episode by complaining to company, friends, or organizations. Customer complaint is not always a disaster for a company. When customers take voice response to reveal CCB, actually, it will benefit the company. The company will know directly the reason of customers' dissatisfaction and the problem. Thus, the company will have the opportunity to fix it immediately to meet the customers' want. When customers decide to take private response or even a third party response, it would be disadvantageous for the company. Service failure is a major cause of customer defection and

leads to customer dissatisfaction. Past empirical studies stated that customer dissatisfaction is associated with CCB (Sharma et al., 2010). It means that a greater level of dissatisfaction tends to drive greater customer complaints.

Methods

The study employed a cross sectional survey with structured questionnaires to collect data. All items were adapted from a previous study conducted by Singh (1988) with necessary modifications according to the research objectives. The questionnaire consists of two parts. The first part contains closed questions that explain characteristics of customers. The second part contains the main questions to measure complaint behavior and customer motivation to complain. This study employed nominal scale to measure the constructs. This scale is used in order to simplify the respondents in answering questions.

The study population is customers who have experienced service failure in purchasing any product or service. The study used purposive sampling method to formulate a sample from the population. The respondents were selected based on the criteria that they have bought any product/service and have experienced service failure in the last six months. The questionnaire was distributed via offline survey. Data were collected during April to June 2015 in Yogya-

karta, Indonesia. Total of 200 questionnaires were disseminated to customers complete with paper test and pencil. Then, 173 questionnaires were returned with 86.5 % response rate. Seventeen questionnaires were not returned, eight were incomplete, and two others were torn. Data were processed using SPSS V.16 and analyzed by using non parametrics test chi-square statistical tool.

Chi square analysis is a statistical technique that assesses the probability between the real frequency and the expected frequency. The study used 95% level of confidence. When the significance value (p) is greater than 0.05, it means that there is no significant difference between the variables studied. In establishing model fit, it is determined that the value of χ^2 must be greater than the value of χ^2 table. The greater the value of χ^2 , the better the result is.

Results and Discussion

Characteristics of Respondents

Based on the survey on 173 respondents who experienced service failure and dissatisfaction during their purchase episode, 92.76% of the respondents are complainers and 7.24% are non-complainers. Most of the non-complainers are inertia (69% from all of the non-complainers, or 5 % from all respondents). The majority of the respondents are male (54.92 %). In terms of age, most of them are between 20 and 40 years old and have higher educational level (50.87%). Generally they bought a variety of goods (83.3 %) in the price range between 100,000 IDR and 1,000,000 IDR such as electronics devices, groceries, food and beverages, clothing, beauty service, and transportation.

Motivation to Complain

Based on data, it is found that most of the complainers expect the company to make corrections (64.16%) and give explanations related to the service failures (54.91%). Their motivation to complain is also because they want the service provider to apologize for the negligence and poor service (31.79%). Another reason is to express their disappointment and/or anger to the service provider (35.84%). Some of them

are encouraged to complain because they want to get cash-back (20.81%) and replacement with a better goods or services (38.73%). Based on this information, it can be concluded that the majority of consumer complaints actually just want to deliver a correction, request a reasonable explanation, and receive apology from the company.

Response to Customer Complaint Behavior

The findings showed that when customers experience service failure, most of them take private response (91.33%). Thus when customers experience service failure, almost all of the customers tell their friends and relatives and sometimes even avoid doing business with the firm. Some of them take voice response (58.38%). It means that even though customers experienced service failure they still want to discuss the problem with the manager or other firm employees. It is likely that they hope the firm will give recovery or refund and do better in the future. Only a few customers want to engage with third party response (15.6%). This maybe because it takes time and effort, while there is no guarantee they can get what they requested.

Generally, in responding to a service failure, costumers behave in multiple responses. Most complainers took private response as well as voice response (56.10%). Complainers who take both private response and third party response are 15.61%. Meanwhile some complainers take voice response as well as third party response (14.45%). From this information it could be inferred that there is a cross section among them, meaning some of the complainers engage with all three dimensions of CCB (14.45%). From these findings, it showed that all third party complainers have engaged voice response and/or private response in the past. Therefore, it can be interpreted that customers who took third party response have likely failed previously to obtain recovery from the company.

Private Response

Based on the data gathered, most customers were engaged in private response, especially word of mouth communication (86.71%). It is

Table 1. Response to Customer Complaint Behavior

Response	CCB items	Percentage
Private		91.00
CB-01	Speak to your friends and relatives about your bad experience.	86.71
CB-02	Convince your friends and relatives not to do business with that firm.	25.43
CB-03	Avoid doing business with the firm.	61.27
Voice		58.00
CB-04	Discuss the problem with manager or other employee of the firm.	39.88
CB-05	Ask the firm to take care of the problem (e.g. to fix or replace item or to return you money).	42.20
CB-06	Inform the firm about the problem so that they will do better in the future.	39.88
Third party		15.60
CB-07	Write a letter to the local newspaper about your bad experience.	3.47
CB-08	Report the problem to a customer agency or NGO.	9.83
CB-09	Take legal action against the firm.	4.62
Inertia		
CB-10	Forget about the incident and keep buying the products	0.07

Source: adopted from Singh (1988) with modification.

inferred that most of the customers who experience dissatisfaction in purchasing products will likely spread negative WOM. The high rate of negative WOM is related to the high rate of customers who avoid doing business with the firm, boycotting, or with exit intentions (61.27%). This proves that customers who experience service failures have a tendency to exit. Of course such action would be disadvantageous for the company because they are not just trying to incite others (25.43%) but they even want to leave the company’s products. By experiencing dissatisfaction, consumers who tend to remain loyal to the company’s product are only 38.73% of the total respondents.

Voice Response

Customers, who are engaged in voice response, generally ask the company to take action towards the problem, such as fixing, replacing or even giving cash back (42.20%). In addition, when service failure occurs, customer might discuss the problem with the manager or staff (39.88%) and deliver a message to the company to provide better service in the future (39.88%).

Third Party Response

The response that customers mostly are not eager to use is the third party response. However, most of the complainers engaged in the third party response reported the problem to a third party, such as: agents, consumer agencies, NGOs, and others (9.83%). Some of the complainers take legal actions against the firms

(4.62%) and write letters to the media/local newspapers (3.47%). These results indicated that customer’s intention to complain towards the third party is low. This may be due to the customer’s distrust that customer agencies or mass media are able to convey the problem to the company/public. One of the reasons why customers are reluctant to report to a third party is because there are so many customer complaints reported already, therefore they have to wait in a queue. It is really time consuming and not all complaints will be published. The difficulties found and the courage needed to write and communicate customer complaints to agencies or mass media also can be obstacles for customers to file complaints.

A past study conducted by Wirtz & Mattila (2004) stated that some customers want to give feedback to the company without expecting any reply. Therefore, they want to remain anonymous and prefer to use remote complaint channel. On the other hand, customers who are familiar with modern technology, generally the upper middle income economy class, they prefer non-verbal complaint channels such as email, letter, and so forth (Milkhaylov & Milkhaylova, 2015).

Table 1 explains the summary of response to CCB.

Customer Complaint Behavior versus Demographics Characteristics

The non parametrics statistics chi-square analysis is employed to indicate the difference among CCB dimensions based on demographic variables.

Gender versus Customer Complaint Behavior

Based on the data collected, it is found that the majority of respondents are male customers (54.9%). Of all respondents who take private response 53.2% are male and 46.8 % are female. It can be inferred that male customers tend to take private response more than female customers. Furthermore, the relationship between them is not significantly different (χ^2 -value=2.251, p-value=0.108>0.05). This means that both male and female customers tend to use the same behavior in private response.

Based on data of voice response complainers, most of them are male (53.5%). It means that male customers tend to take voice response more than female complainers (46%). Nevertheless, the statistical test indicated that the association between them is not significantly different (χ^2 -value=0.206, p-value=0.383>0.05). It means that both male and female customers tend to take the same behavior in voice response. For the third party response complainers, it shows that there are more male complainers (51.9%) than the female (48.1%). The statistical result stated that the association between them is not significantly different (χ^2 -value=0.121, p-value=0.444>0.05). It means that both male and female customers tend to act the same behavior in third party response.

Demographics variables such as age, income, and education level influence complain behavior (Phau & Sari, 2004). Empirical studies in Taiwan (Chang & Chin, 2011); (Huang & Chang, 2008), Turkey (Emir, 2011), Hongkong (Ngai et al., 2007), Malaysia (Ndubisi & Ling, 2005), and United States of America (Heung & Lam, 2003; Keng et al., 1995; Singh & Pandya, 1991) reported that females complain more than males. However, research in Jakarta, Indonesia (Phau & Sari, 2004), and Singapore (Kau & Loh, 2006) showed opposite findings. In these countries, the male customers complain more than female customers. A study conducted in Australia stated that both female and male act with no significant difference in complaining behavior (Phau & Baird, 2008). This study finds that there is no significant difference between male and female customers in complaint behavior which supports the previous study

conducted by Phau & Baird (2008). When we look closer, based on the available data, males slightly complain more than females.

Age Group versus Customer Complaint Behavior

In this study, the age of respondents is classified into three groups: (a) young customers in the age range between 15 and 19 years old, (b) adult customers in age range between 20 and 40 years old; and (c) senior customers older than 40 years old. From all respondents, the majority are adult customers (48.0%). Some of them are senior customers (32.9%) and young customers (19.1%). The relationship between age and private response can be seen as follows: adult customers (50.0%), senior customers (31.6 %), and young customers (18.4%). From this information, it can be inferred that most of private complainers are adult customers. The χ^2 -value showed low value (χ^2 =2.983, p-value .224>0.05). It indicated that the association among them is not significantly different. It means that among age groups, the customers tend to act the same behavior in private response when experiencing a service failure during purchase episode.

From all complainers who took voice response, 48.0% of them are adult customers, 32.9% are senior customers, and 19.1% are young customers. From the information available, it can be inferred that most of voice response complainers are adult customers. The χ^2 -value showed very low value (χ^2 =0.57, p value=0.972 >0.05). Therefore it can be said that the association among them is not significantly different. It means that among the age groups, customers tend to act the same behavior in voice response. For third party response, most of complainers are adult customers (48.0%). Senior customers are 32.9% and young customers are 19.1%. From this information, it can be inferred that most of the respondents who take third party complaint are adult customers. It can be concluded that the association among them is significantly different (χ^2 -value=6.948, p-value=0.031<0.05). This means that adult customers tend to act differently from other age groups in third party response.

The age group also affects the behavioral

patterns of consumer complaints. Empirical research that took place in Singapore (Kau & Loh, 2006) reported that most complainers are young consumers (between 20 and 24 years old). While a study in Jakarta, Indonesia, found the most complainers are in the age range between 17 and 36 years old (Phau & Sari, 2004). A study in Hong Kong found that the most complainers are in the age range between 31 and 40 years old (Ngai et al., 2007). Singh and Pandya (1991) stated that 30% of American complainers are between the age of 25 and 35 and about 34% are above 50 years of age. This study found that most of complainers are in the age range between 20 and 40 years old and therefore supports the previous studies conducted in Asia in general. Adult customers tend to complain more than senior customers as they are found to be more expressive.

Education Level versus Customer Complaint Behavior

From the education level point of view, the education level is classified into two groups, low level of education (up to senior high school) and high level of education (university/college). This study finds that the majority of respondents are customers with high level educational background (55.5%) and some of them are customers with low level educational background (44.5%).

The study shows that private response complainers are customers with high level educational background (55.7%) and the rest are customers with low level educational background (44.3%). From this data, it can be inferred that most of private response complainers have high level educational background (55.7%). The chi square test showed that the association between them is not significantly different (χ^2 -value=0.31, p-value=0.535>0.05). It means that between the two levels of education, customers tend to act the same behavior on private response.

From the data available, the majority of voice complainers are customers with high level of educational background (58.4%). Only 41.6% of the respondents have low level of education. The chi square test showed the association between them is not significantly different (χ^2 -

value=0.84, p-value 0.223>0.05). It means that between levels of education, customers tend to act the same behavior. Surprisingly, customers who are active in third party response are customers with low educational background (63%). Chi square test proved that the association between them is significantly different (χ^2 -value=4.411, p-value=0.03>0.05). It means that complainers with low level education tend to act more actively than high level education in third party response.

Studies conducted in a few different countries found that the most complainers have higher education levels (Kau & Loh, 2006; Ndubisi & Ling, 2005; Ngai et al., 2007; Phau & Sari, 2004; Singh & Pandya, 1991). This study also found that customers who have higher education level tend to complain more than those from the lower education level. This is understandable because highly educated people will have better knowledge, self-confidence, and better knowledge of customer's rights. Ultimately they will be more courageous and confident to make a complaint.

Gender, age and level of education classification can be used to develop market segmentation (Shiffman & Wisenblit, 2015; Kotler & Armstrong, 2014). Identifying market segmentation is important for a company in order to develop marketing strategies and build right relationships with the right customers (Kotler & Armstrong, 2014). By doing so, the company's goal is easier to achieve.

Conclusions

When customers experience service failures, most of them (92.76%) file complaints. Customers who experience poor service but still want to buy products need to be investigated carefully because some of them belong to the inertia category. Further investigation is needed because an inertia customer is susceptible to switching behavior. If there is a slightly better product available in the market then the customer is ready to switch to other brands (Wirtz et al., 2014). The study finds that sometimes customers make complaints because they just want the company to apologize or provide a better explanation and become courteous to customers for the mistakes occurred. So if the

company runs a slightly better service and be more communicative with the customers then they will forgive and forget the poor service that has occurred.

The study also revealed that almost all the complainers performed private response. When customers experience service failure and dissatisfaction during the purchase episode, most customers tend to express negative WOM. Some of them choose to leave the products and even to boycott or exit. Negative WOM could be very dangerous to the viability of the company because spreading negative WOM proved to be very influential on the company's reputation, especially when customers spread negative EWOM through social media (Windi & Ellyawati, 2015). This could be a loss for the company. In this study, the consumer behavior indicates that a good service is very important to pursue and to retain customers. If the company does not want the credibility tainted, the company has to serve better service and pay more attention to the customers. No matter how small the service failure is, it should be promptly handled by the company because to get new customers is more costly than retain it (Ellyawati, 2013). When the customer received a good response and even was given an excellent service recovery, then it can lead to customer satisfaction and loyalty, and will lead to service recovery paradox (Ok et al., 2007).

More than half of the complainers perform voice response. It is good for the company because the company gets direct feedback from customers. Therefore the company knows its shortcomings and mistakes and can be used to improve services in the future to achieve better performance. Complaint is very important for the company because they influence not only the customer's loyalty but also other customers' purchase intentions (Hu et al., 2015). Considering the importance of complaint for performance improvement, the company can utilize its website to provide a media in response to service failure for customers to address their complaints. Then any time the customers can write their complaints to the company. This will help the customer to voice his or her complaint

directly to the company in an easier manner.

Based on the findings of this study, it can be inferred that most of the complainers have multiple responses. The negative virus which is spread by disappointed customers with multiple responses certainly is more harmful to the company because it will create higher multiplier effect. In fact that most of customers in this group have higher educational background and such customer will be more demanding and more confident to complain. Therefore these customers should be carefully considered by the company. Companies have to respond promptly and provide the best service for the customer. The study finds that the majority of customers who complain are adult male customers with high level of education background. This classification indicates that the company can be more specific to address these customer groups. Thus what this segment desires can be handled properly.

Finally, this study can conclude that customer complaint is needed to improve company performance. To accommodate and manage customer complaints, a company needs to establish a relatively independent division on top of the company's management structure to accommodate consumer complaints. In this manner, the staff can deliver consumer complaints with no pressure from supervisors.

However, in this study there are some limitations due to the use of nominal scale measurement. For a more detailed results, it would be better if further studies use interval data. Furthermore, the object of this study is not limited to a particular industry. Future research needs to focus on certain industry so CCB can be anticipated in a better marketing strategy action. To have a better result, it still needs to be empirically tested in different research areas and needs more respondents or samples since Indonesia is a big country with large population. The marketing model needs greater samples in order to capture the variation of the variables. Basically Indonesia is very heterogeneous in ethnic groups and culture. Therefore, the cultural background of the respondents can be considered to enrich the study.

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